



## APPRAISAL BULLETIN

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*Real Estate Economists, Appraisers and Counselors*

### AN ANALYSIS OF A 36-LANE BOWLING ALLEY

THE decade of the 1950's was one of increasing population along with increasing leisure time and income. This combination was a boon to the recreation industries. Bowling has enjoyed a boom along with the others. The Brunswick-Balke-Collender Company, one of the leading bowling suppliers, estimates that over four million people bowl in leagues. The growth of league bowlers -- registered bowlers -- is charted on page 157. The insert shows the growth in American Bowling Congress-approved lanes and sanctioned league teams.

In two previous Appraisal Bulletins\* we have described the growth and development of the bowling industry, the income and expenses on a 16-lane bowling center in 1955-56, and lenders' policy on bowling establishment loans. In this bulletin we bring this information up to date.

Lenders still follow a conservative policy toward financing bowling establishments, although they are more willing to make such loans than in the past. The reasons for this policy are the same as they were in 1956.

First of all, nearly all lenders have had all they could take care of in handling the unprecedented demand for home loans. In the second place, a bowling alley building is something of a special-purpose building, and if the enterprise goes under, a conversion job usually has to be done before the building can be leased to another tenant. . . . Most lenders know very little about bowling alleys, and with so many other good loan applications to process, they haven't the incentive or the time to dig out the facts they need to make them as enthusiastic about the industry as those who work at it for a living.

The following are typical loan requirements on bowling establishments, although there may be minor variations from one lending agency to another:

1. Loans are usually fully amortized within 10 to 12 years.
2. Loans are limited to 50 to 60% of the value of the real estate.
3. A somewhat higher interest rate than on more conventional types of income property is charged.

\*Vol. XXIV, No. 60, p. 581 - "Bowling - Big Business, and Getting Bigger."  
Vol. XXV, No. 9, p. 83 - "Bowling Alleys As Long-Term Investments."

4. The operator should be of good character, should have previous bowling alley management experience, and should have sufficient financial strength to see him through the initial promotion of the establishment and to get it on a paying basis.

5. League commitments are essential. In some cases there are two leagues for each week night. Although open play may be profitable, it is not as dependable as league play.

6. Air conditioning is a must.

7. There should be adequate parking, at least five parking spaces for every lane in the bowling establishment.

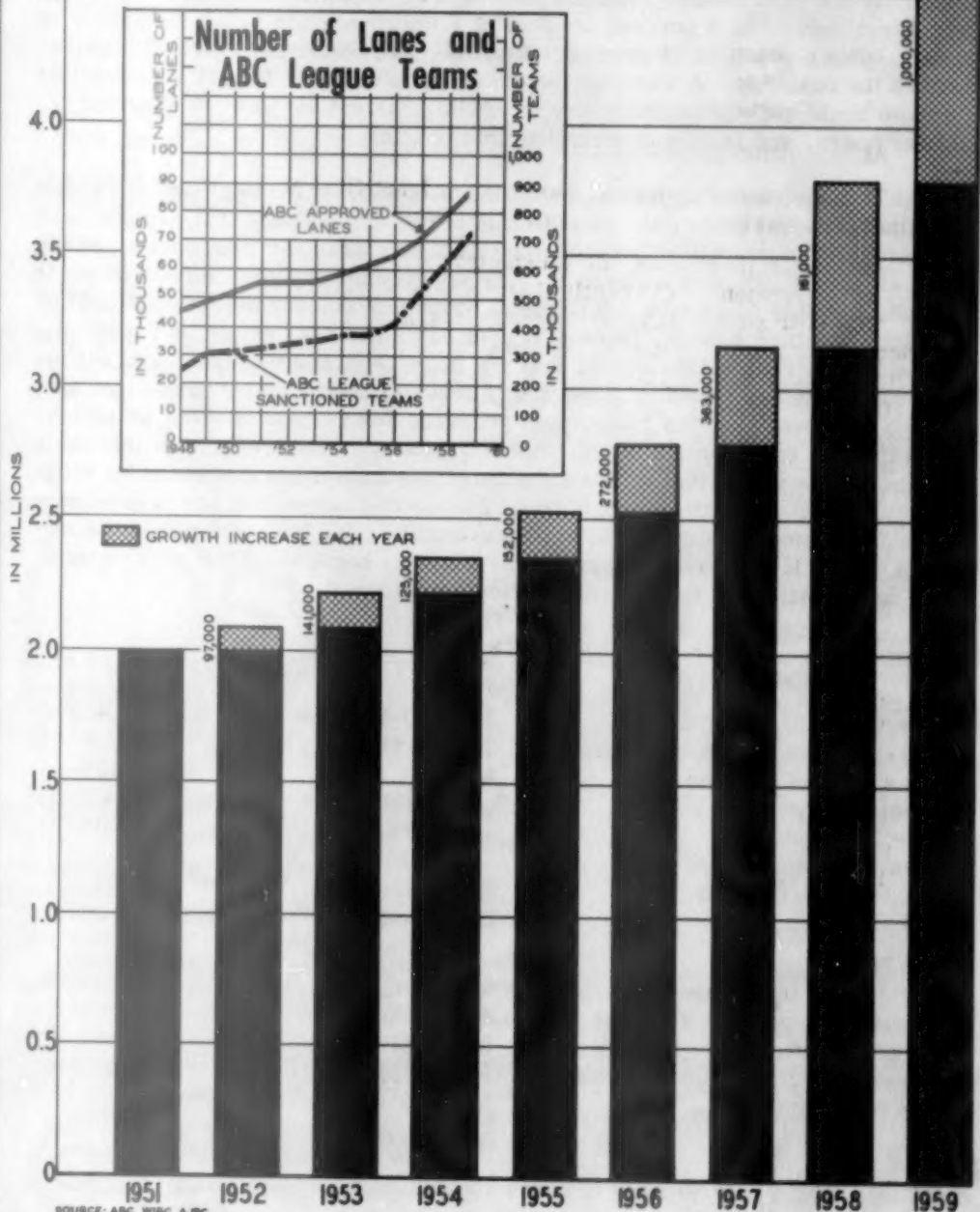
8. Automatic pinsetters, or pinspotters, should be installed in a modern bowling establishment. Currently there are two manufacturers of this equipment. The Brunswick-Balke-Collender Company offers a purchase plan; the American Machine and Foundry offers a lease plan. The Brunswick company sells its machine for \$8,100 with a downpayment of \$500 and with the balance of \$7,600 being financed by Brunswick. The AMF pinspotter is leased, at a minimum of \$800 per machine per year. After the first 8,000 lines (a line is equivalent to one game), the rental is 10 cents a line up to 10,000 lines. From 10,000 to 15,000 lines the rental is 8 cents a line. For over 15,000 lines the charge is 6 cents a line. The cost of installing the AMF pinspotter varies from State to State. In the St. Louis area it is \$500. In our appraisal we have assumed purchase of the equipment, but this does not imply that this is necessarily the best way. Each operator must decide this for himself on the basis of his preference, capital, and potential market.

9. The location must have accessibility to large groups of people, preferably middle-income groups. Best locations are in the middle-class suburbs with good accessibility via main thoroughfares. The next best location is probably in a heavily developed industrial area. A rule of thumb for small towns is to install one lane for each 1,000 to 1,500 population. Like all generalizations, this one can be made to look foolish. For example, a proprietor in a small Iowa town was so successful in his promotion that one out of every three adults in the town is now an enthusiastic bowler. Such promotional skill and energy are rare, however, and the rule of thumb of one lane to each 1,000-1,500 people seems more reasonable.

As a guide to mortgage lenders, appraisers, and others, we have made an analysis illustrating an income and cost approach to the value of a typical modern 36-lane bowling alley property. The building is a steel frame, flat roof, no basement type structure, having a brick and concrete block back-up front wall and concrete block side and rear walls. The interior is modern in design, and finished with good quality materials. In addition, we have assumed that the economic feasibility of the site has already been established. Another thing that should be pointed out is that the operation is considered to be owner-operated and that the cocktail lounge and snack bar are leased at 7 and 6 percent, respectively, of gross sales.

# REGISTERED BOWLERS

by ROY WENZLUK RESEARCH CORP.



SOURCE: ABC, WIBC, AJBC  
COURTESY OF BRUNSWICK-BALKE-CELENDER COMPANY

There are two striking facts that emerge from our analysis. First is the tremendous size of the investment, \$882,000, which includes \$412,000 on real estate plus \$470,000 on equipment. The building is built for a special purpose, but it can be converted readily to other uses which would render a reasonable return on the real estate. Second, for this investment the owner-operator gets a net return of 8 percent on land and improvements, plus recapture of capital, plus a profit of 25 percent, \$29,227, to assume the risk and management of the business. A warning, however, is in order. This is a return that a person could get who is interested in bowling, is willing to work long and irregular hours, and is able to attract league bowling.

The demonstration appraisal shows the appraisal of the real estate as well as of the personal property. This is one of the applications that may be used in arriving at an overall value of a going business when the real estate and the business are in common ownership. In appraising the real estate only, it would be possible to ascribe a fair rental, based on comparable rentals paid by operators of other bowling lanes. In appraising the real estate by the income approach, the real estate rental may be processed and the stabilized net income capitalized as would be done in any residual appraisal process. Following is a table showing the ranges and averages for various bowling establishments that we have studied in the past few years. The first part of this table pertains to new alleys that do not have operating statements that could be studied accurately. The latter part of this table covers alleys that are in existence and do have good operating statements available. We have not shown the averages in this latter case for ranges are extreme because of the ages, conditions, and locations of the individual alleys considered.

#### 24 to 48 Lanes

<u>New Lanes</u>	<u>Range</u>	<u>Average</u>
Real estate value per lane	\$10,000-\$14,100	\$12,400
Real estate rent per lane per year	\$1,150-\$1,438	\$1,279
Rent as percent of value	8.5%-11.5%	10.45%
Building area per lane	815-1,190 sq. ft.	915 sq. ft.
Square foot rental	\$1.21-\$1.59	\$1.40
Percentage lease	8%-10%	8%
Minimum rental per sq. ft.	\$0.80-\$1.40	\$1.25
Gross income per lane	\$10,000-\$17,000	\$12,200
<u>Old to Near Modern</u>		
Percent rents (on volume of business)	8%-10%	(Not given
Minimum rent per sq. ft. gross	\$0.50-\$1.30	because
Sales per sq. ft.	\$7.75-\$16.50	of wide
Real estate rent per lane per year	\$450-\$1,180	range due
Gross rent per sq. ft.	\$0.50-\$1.50	to age.)

These figure may be used to check the reasonableness of your estimates.

# 36-LANE BOWLING ALLEY

## COST ANALYSIS

### Real Estate

Land, est. 97,500 sq. ft. @ 39¢ per sq. ft.	38,000
Bldg., est. 34,000 sq. ft. @ \$10.60 (\$9,450/lane)	360,400
Parking lot surfacing & lighting, est. (6 spaces/lane)	13,500
Total Cost of Real Estate (\$11,150/lane)	\$411,900

### Equipment

<b>Bowling</b>	
36 lanes	\$151,290
Automatic pinsetters	303,948
Total (\$12,650/lane)	\$455,238
<b>Miscellaneous</b>	
Cost of shoes (360 pairs)	\$ 2,400
Cost of balls (180)	3,800
Signs	5,000
Cash registers	1,500
Office furniture & equipment	2,000
Total	14,700
Total Cost of Equipment	469,938
Total Investment (Replacement Cost New)	\$881,838
Total Value of Real and Personal Property (\$24,500/lane) ... Call	\$882,000

## INCOME ANALYSIS

	Lines per day	x	Days	x	Weeks	x	Lanes	=	Total lines	x	Rate per line	=	Income
<b>Bowling</b>													
<b>Winter</b>													
League	40	x	5	x	35	x	36	=	252,000	x	50¢	=	\$126,000
Open play (wkdays)	15	x	5	x	35	x	36	=	94,500	x	50¢	=	47,250
Open play (wkends)	40	x	2	x	35	x	36	=	100,800	x	50¢	=	50,400
<b>Summer</b>													
League & open play	25	x	7	x	15	x	36	=	94,500	x	50¢	=	47,250
Total Bowling									541,800				\$270,900

### Other Income from Bowling Operation

<b>Shoe rental</b>	
(a) 289,800 lines of open play + 3 lines per bowler ...	96,600 bowlers
(b) Rentals based on 50% of line (a) ...	48,300 renters
(c) Rate of rental, 20¢ x line (b) ...	9,660
Sales (balls, bags, shoes, etc.) \$30 per day x 350 x 25% ...	2,625
Total Income from Bowling Operation	\$283,185

Cocktail Lounge Rental @ 7% of Gross Sales (\$91,350)	6,400
Snack Bar Rental @ 5% of Gross Sales (\$41,600)	2,500
Total Gross Income	\$292,085
Less Average Annual Income Loss, 10%*	29,209
Estimated Annual Effective Gross Income	\$262,876

\*Loss of business due to inclement weather, etc.

Estimated Annual Effective Gross Income ..... \$262,876

# EXPENSE ANALYSIS

Managers (2) .....	\$ 12,000	
Counter personnel (3) .....	12,000	
Maintenance men (2) .....	12,000	
Lane maintenance men (2) .....	9,000	
Porters (3) .....	5,000	
Pin chasers (2) .....	5,000	
Secretary-bookkeeper .....	2,500	
Social Security & unemployment compensation .....	2,800	
<b>Total Labor Expense .....</b>		<b>\$ 60,300</b>

Utilities (heat, light, air conditioning, automatics) ...	\$ 12,000	
Miscellaneous (accounting, legal, telephone, advertising, office supplies, etc.) .....	8,000	
Resurfacing lanes, building maintenance and repair, decorating, replacement of pins, shoes, and balls ..	12,400	
Pinsetter parts and service .....	6,000	
Miscellaneous - score sheets, laundry, etc. ....	1,000	
<b>Total Maintenance and Operating Expense .....</b>		<b>39,400</b>

Taxes - real estate and personal property .....	\$ 13,500	
Insurance - fire & extended coverage, inc. public liability	8,500	
Licenses .....	800	
<b>Total Fixed Expense .....</b>		<b>22,800</b>

## Sinking Fund Reserves for Real and Personal Items

Alleys & equipment, \$151,290 @ .03358 (20 yrs. @ 4%)	\$ 5,080
Automatics ..... 303,948 @ .04994 (15 yrs. @ 4%)	15,179
Signs ..... 5,000 @ .04994 (15 yrs. @ 4%)	250
Cash registers ..... 1,500 @ .08329 (10 yrs. @ 4%)	125
Office furniture ..... 2,000 @ .08329 (10 yrs. @ 4%)	167
Lounge & snack bar . 12,000 @ .08329 (10 yrs. @ 4%)	1,000
Air cond. machinery 20,000 @ .08329 (10 yrs. @ 4%)	1,666

Total Equipment \$495,738

Total Fund Reserves ..... 23,467

Total Estimated Expenses ..... 145,967

Net return before interest on short-lived real estate and personal items

plus net return before interest and recapture of investment in real estate and profit to entrepreneur ..... \$116,909

Less profit to entrepreneur, \$116,909 x 25% ..... 29,227

Net return before interest on short-lived real estate and personal items

plus net return before interest and recapture of investment in real estate ..... \$ 87,682

Less interest on short-lived real and personal items (recapture provided

for by sinking fund reserves, \$495,738 @ 10%) ..... 49,574

Net return to long-lived real estate before depreciation ..... \$ 38,108

Less return to land, \$38,000 @ 8% ..... 3,040

Net return to long-lived real improvements before depreciation ..... \$ 35,068

\$35,068 capitalized @ 10.2% (8% capitalization rate + 2.2% straight

line depreciation, 45-year economic life) ..... \$343,804

Value of Long-lived Real Estate ..... \$343,804

Value of Short-lived Real Estate and Equipment .. 495,738

Value of Land ..... 38,000

**TOTAL VALUE, REAL & PERSONAL PROPERTY \$877,542**

Call \$878,000

